

**CITIZEN'S GUIDE TO THE CITY'S FINANCES
CITY OF GRAND RAPIDS, MICHIGAN
YEAR ENDED JUNE 30, 2012**



Introduction

- Governments are relied upon to provide many essential services to their constituents. This requires a careful balance between providing the proper amount of service, while still living within the financial constraints of available resources.
- Transparency in government is critical to achieve the above objective. Annual financial reporting, in the form of a Comprehensive Annual Financial Report (CAFR), while providing the required information to meet Governmental Accounting Standards, may not always be very understandable to the average user.
- To ensure the citizens of Grand Rapids are fully informed about their government operations, the City is pleased to provide this annual Citizens' Guide and Popular Annual Financial Report (PAFR). The numbers presented in the PAFR vary slightly from the CAFR, in that they are pulled from the annual F-65 report required by the State of Michigan. The F-65 report is submitted by each governmental agency in Michigan to provide a uniform reporting structure.
- We hope the users of this report find it helpful and the City welcomes feedback on the presentation format and content.

What's Inside

- General Fund
- Governmental Funds
- Enterprise Funds
- City Debt
- City Obligations
- City Leadership

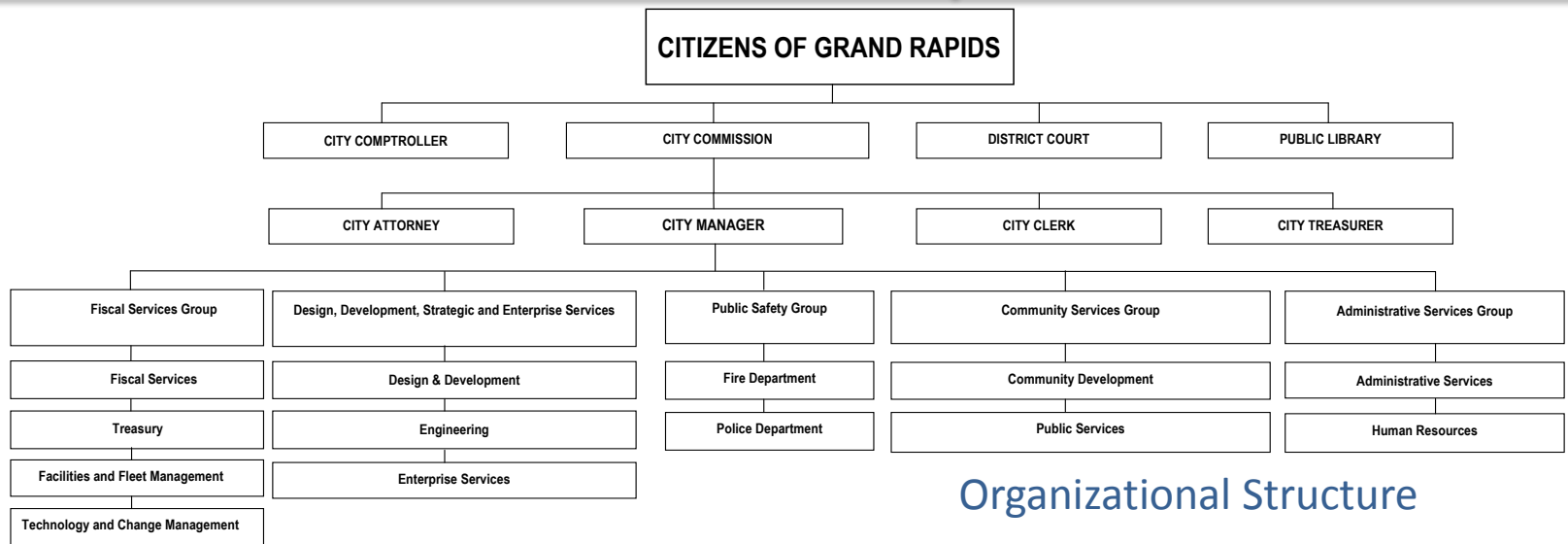
Ruth Lueders
Deputy City Comptroller

Scott Buhrer
Chief Financial Officer

- Form of Government: Commission – Manager
- 2010 Population: 188,040
- Land Area: 44.4 square miles
- Unemployment rate: 7.3%
- High School Graduates: 82.6%
- Median Household Income: \$38,344
- City Budget: \$308 million
- City Property Tax Mills: 8.3713
- Revenue from all taxes: \$104.2 million
- Revenue from all charges for services: \$138.6 million
- General Fund expenditures: \$104.5 million
- Police & Fire expenditures: \$83.2 million
- Bonded debt: \$551.9 million
- Unfunded liabilities: \$294 million

The City's Mission

The City of Grand Rapids believes in the dignity and worth of all people and in the right of every citizen to have equitable access to the benefits of urban life. We believe in the rights of all citizens to express their views and the responsibility of the City government to respond to those views. As government representatives, we will help shape the future to assure that the City will continue to be a place where the benefits of urban life can be enjoyed.



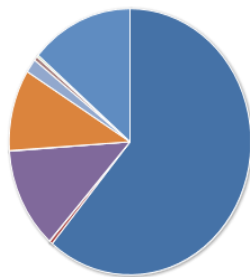
Organizational Structure

City Financials / General Fund

The general fund keeps track of revenues and expenditures for general government services, such as police and fire, human resources, finance, and other city management departments. As a result of the financial crisis of 2007, the City initiated an aggressive transformational plan to reduce operating expenditures and increase revenues to balance the budget. General operating expenses have trended down consistently since FY2008, however 2012 saw increased expenditures of approximately \$4 million related to public safety expenditures. The graphs depict general fund operational summaries as well as a historical look at fund balance (before restrictions) (Excluding transfers).

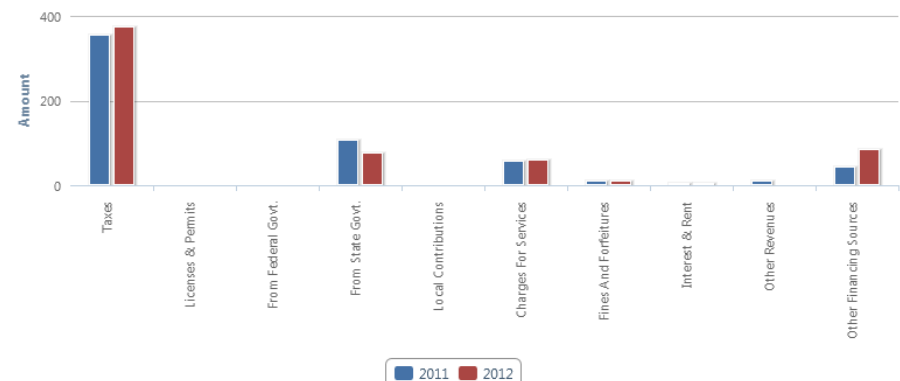
Revenues	2011	2012	% Change
Taxes	\$66,870,314	\$70,141,616	4.89%
Licenses & Permits	\$394,134	\$489,182	24.12%
From Federal Govt.	\$109,662	\$50,604	-53.85%
From State Govt.	\$19,722,610	\$14,085,722	-28.58%
Local Contributions	\$68,903	\$69,082	0.26%
Charges For Services	\$10,832,030	\$11,347,138	4.76%
Fines And Forfeitures	\$1,966,646	\$1,946,122	-1.04%
Interest & Rent	\$582,727	\$573,069	-1.66%
Other Revenues	\$1,663,700	\$277,274	-83.33%
Total Revenues	\$102,210,726	\$98,979,809	-3.16%

Where Our Money Comes From
General Fund



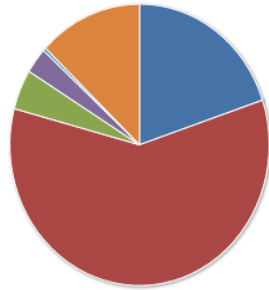
Taxes
From State Govt.
From Federal Govt.
Licenses & Permits
Local Contributions
Charges For Services
Fines And Forfeitures
Interest & Rent
Other Revenues

Revenues Per Capita (vs. Prior Year)
General Fund



City Financials / General Fund

Where We Spend Our Money
General Fund

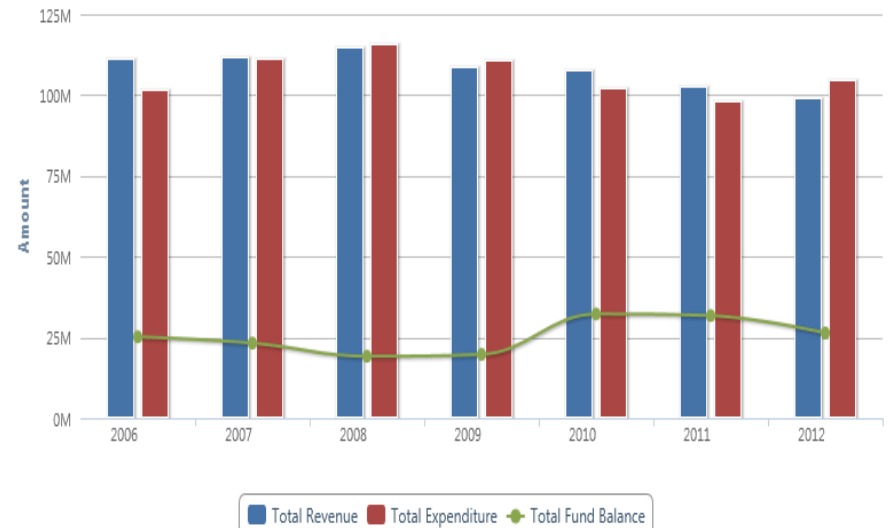


General Government
Community & Economic Dev.
Police & Fire
Debt Service
Other Public Works
Other Financing Uses

General Fund	2011	2012	% Change
Revenue	\$102,210,726	\$98,979,809	-3.16%
Expenditure	\$98,089,367	\$104,541,194	6.58%
Surplus (shortfall)	\$4,121,359	(\$5,561,385)	-234.94%
Fund Balance By Component			
Non-Spendable	\$11,467,913	\$10,323,093	-9.98%
Assigned	\$12,357,965	\$7,537,106	-39.01%
Unassigned	\$7,886,595	\$8,499,517	7.77%
Total Fund Balance	\$31,712,473	\$26,359,716	-16.88%

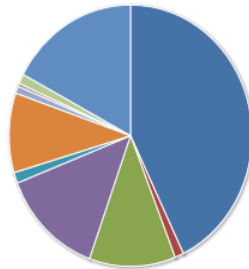
Expenditures	2011	2012	% Change
General Government	\$22,210,976	\$23,842,467	7.35%
Police & Fire	\$67,385,063	\$71,193,879	5.65%
Other Public Works	\$5,014,222	\$5,525,318	10.19%
Community & Economic Dev.	\$3,059,324	\$3,545,636	15.90%
Debt Service	\$419,782	\$433,894	3.36%
Total Expenditures	\$98,089,367	\$104,541,194	6.58%

How Have We Managed Our Resources
General Fund



City Financials / Governmental Fund Revenues

Where Our Money Comes From
All Gov. Funds

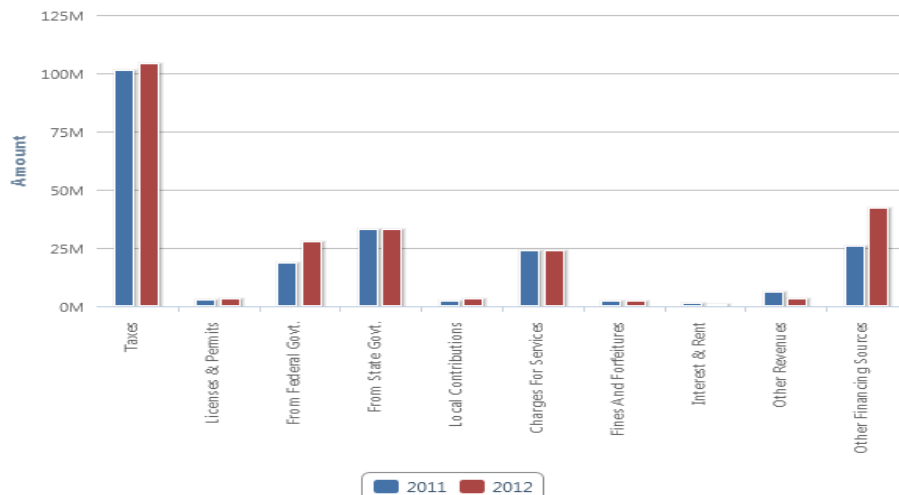


Taxes
 From State Govt.
 Fines And Forfeitures
 Other Financing Sources
 Licenses & Permits
 Local Contributions
 Interest & Rent
 From Federal Govt.
 Charges For Services
 Other Revenues

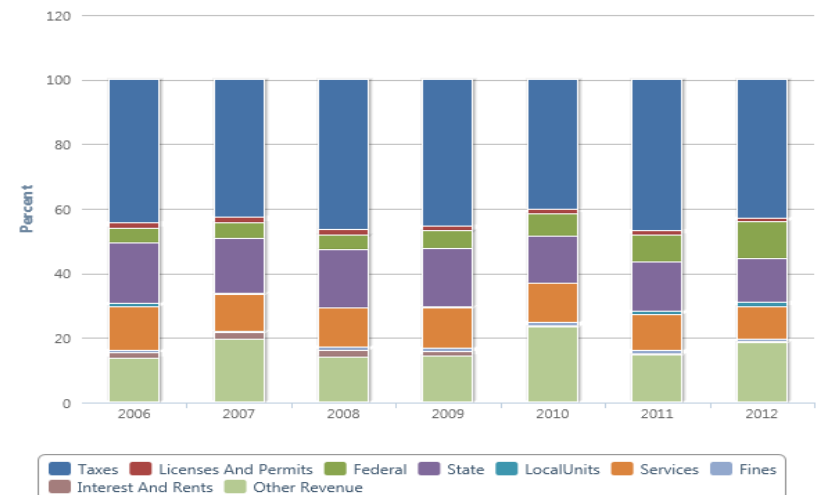
Governmental Fund types reflect many of the City's basic services, including general fund operations, library, refuse, major & local streets, grants, capital funds as well as others.

In 2012, the City of Grand Rapids collected \$200.8 million from taxes, charges for services, intergovernmental revenues, and other revenue sources (excluding transfers) in governmental funds. This was an increase of \$12.4 million over FY2011 mainly attributable to an increase in city income taxes and federal grants. The graphs reflect the distribution of revenues in governmental funds and as you can see, taxes represent the greatest share.

Revenues By Category (vs. Prior Year)

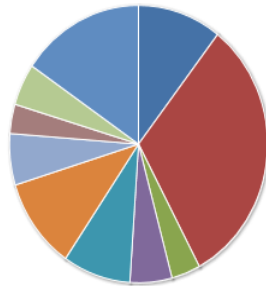


Revenues By Category (Percent)



City Financials / Governmental Fund Expenses

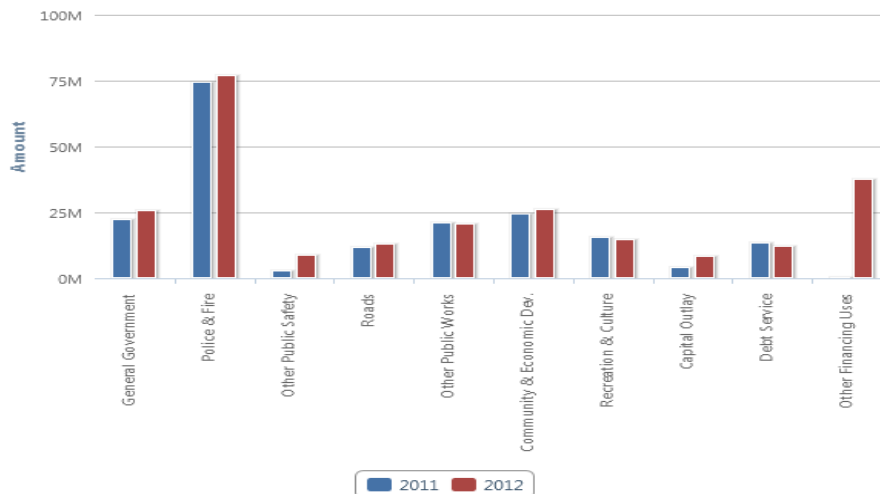
Where We Spend Our Money
All Gov. Funds



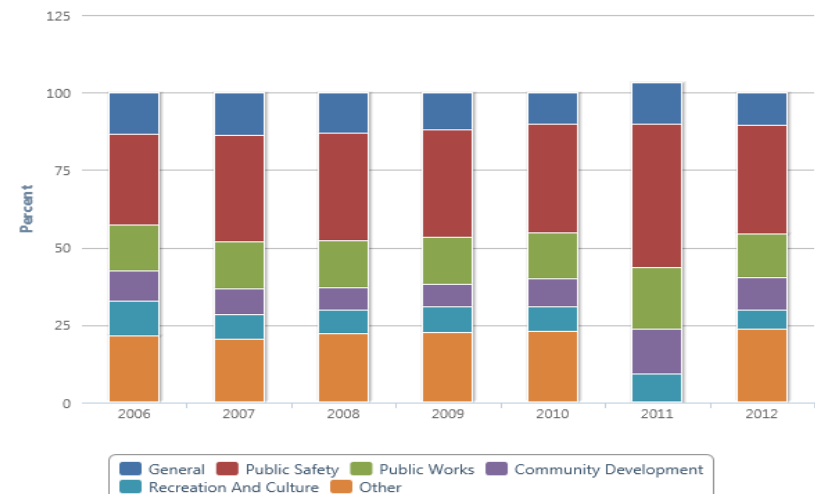
In 2012, the City of Grand Rapids spent \$205.6 million in governmental fund type expenses (excluding transfers). This is an increase of \$16.3 million from FY2011 mainly attributable to increases in public safety and capital outlay.

Major expense categories in governmental fund types include public safety (\$83.2 million), public works (\$33.5 million) and general government (\$25.5 million). Grant expenditures totaled \$28.2 million in FY2012.

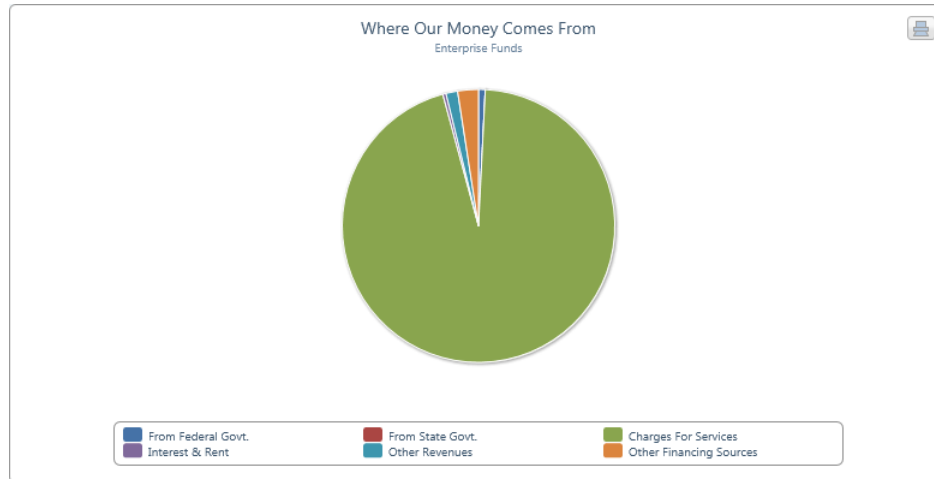
Expenditures By Category (vs. Prior Year)



Expenditures By Category (Percent)



City Financials / Enterprise Fund Revenues

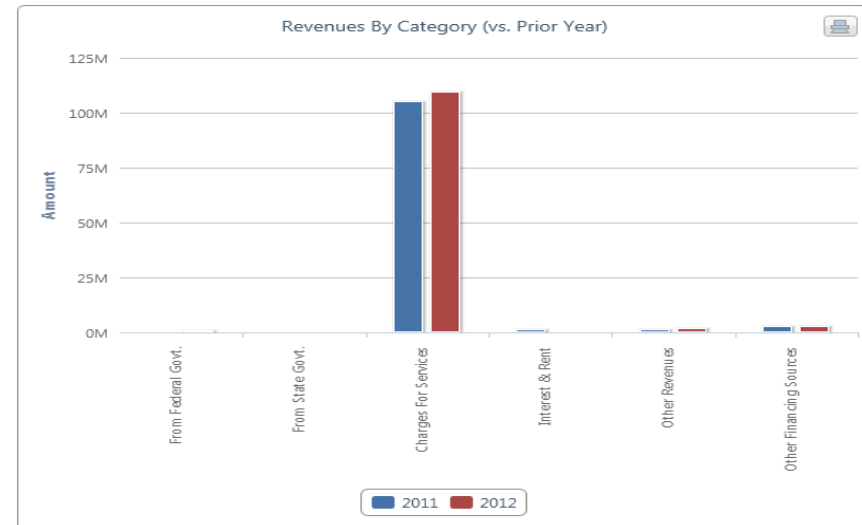
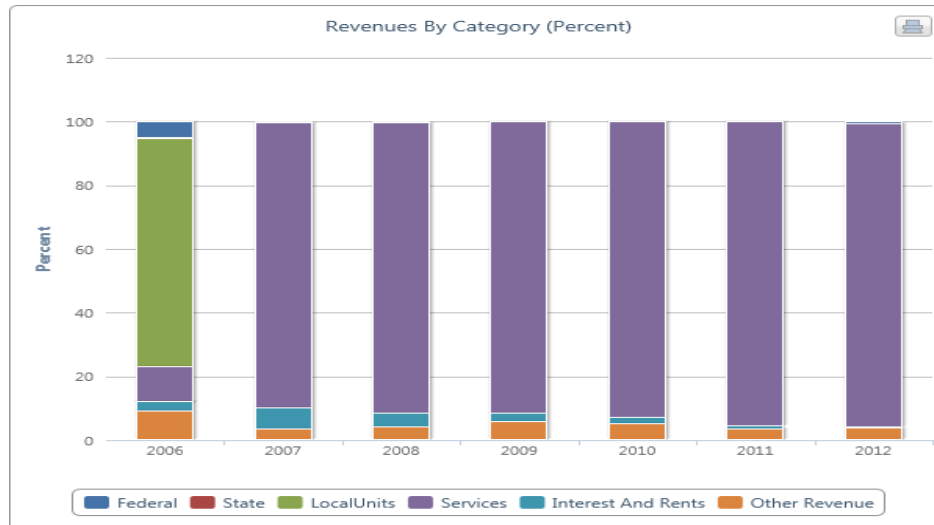


Enterprise Fund types are required for any activity whose principle source of funding is from external revenue sources (i.e. user charges) and meet any of the following criteria:

- 1) Debt is backed solely by fees and charges
- 2) There is a legal requirement to recover full costs through fees or charges
- 3) There is a policy decision to recover full costs through fees or charges

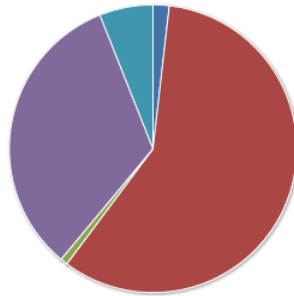
The only way Enterprise funds can generate cash is through user fees or bond issuances. Due to this fact, the focus of Enterprise funds is on the flow of unrestricted cash.

Enterprise funds in the City include water, sewage disposal, auto parking, cemetery operations, golf course and the Belknap Ice Arena. The graphs reflect total revenues for all Enterprise funds in the City.



City Financials / Enterprise Fund Expenses

Where We Spend Our Money
Enterprise Funds

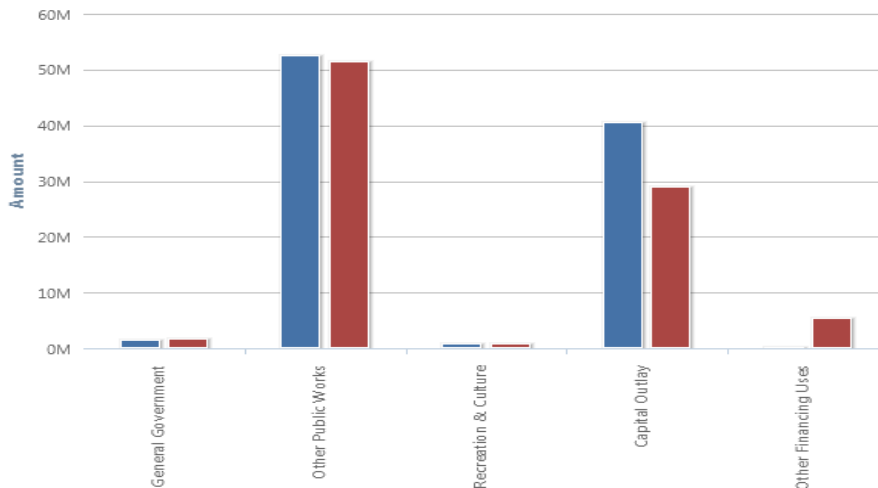


General Government
Capital Outlay
Other Public Works
Other Financing Uses
Recreation & Culture

Operating expenses in the Enterprise Funds totaled \$97.2 million (excluding transfers) which was fairly consistent with prior year's expenditures. Department's have been focusing on obtaining a 10% reduction in operational expenditures to coincide with the City's transformational goals.

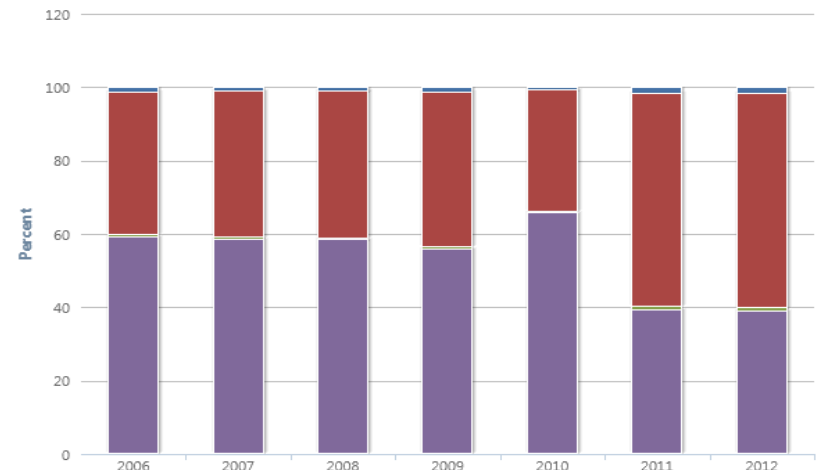
The cash positions of the water, sewage disposal and auto parking funds are strong. The City is looking at the operations of the cemetery fund and golf course fund to enhance there sustainability.

Expenses By Category (vs. Prior Year)



2011 2012

Expenses By Category (Percent)

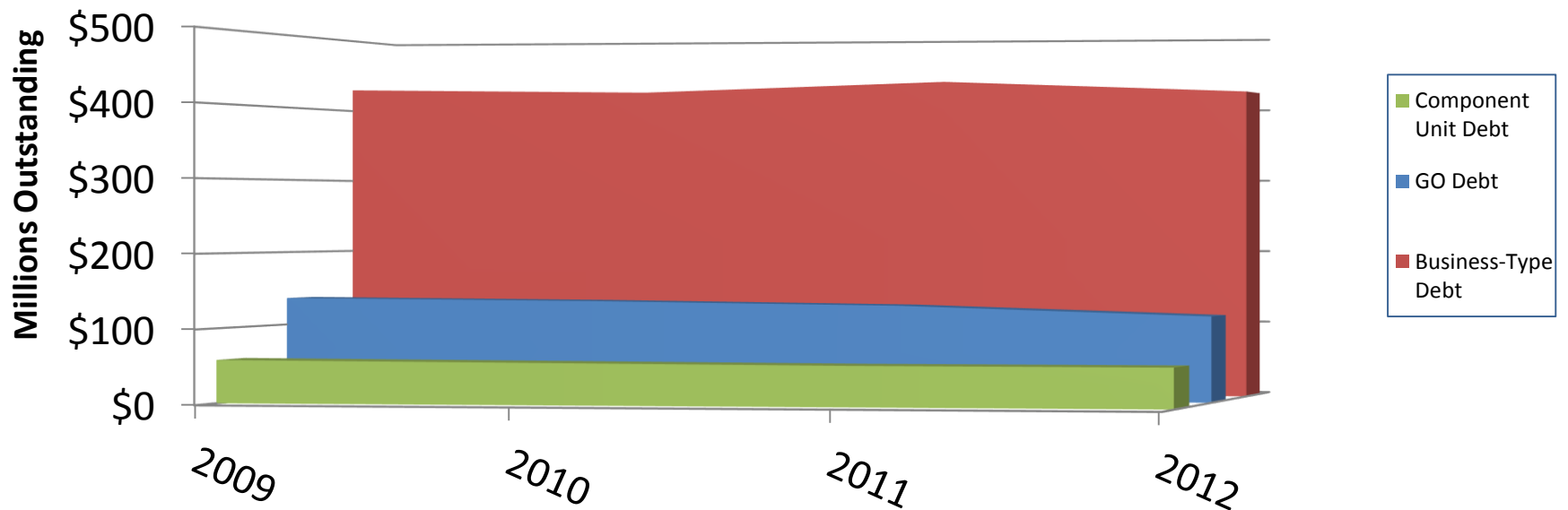


General Public Works Recreation And Culture Other

City Financials / Debt

One of the unique funding streams available to local governments is the ability to issue tax-exempt bonds for the financing of capital projects and infrastructure improvements. Over time, the City has issued debt for water and sewer capital projects, development projects, transportation projects as well as for various other needs.

It is important to analyze and monitor the long-term debt of the City to ensure revenue streams are sufficient to meet principle and interest payments on the outstanding issues. Also, the City continually looks to refinance bonds whenever possible to achieve costs savings to the residents and rate payers in the City. The graphs reflect total outstanding debt by business unit.

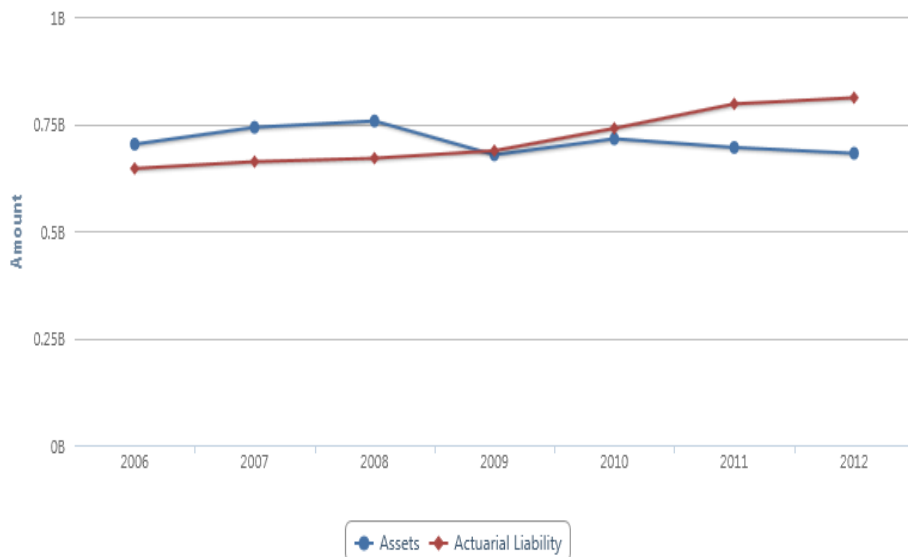


City Financials / Long-Term Obligations

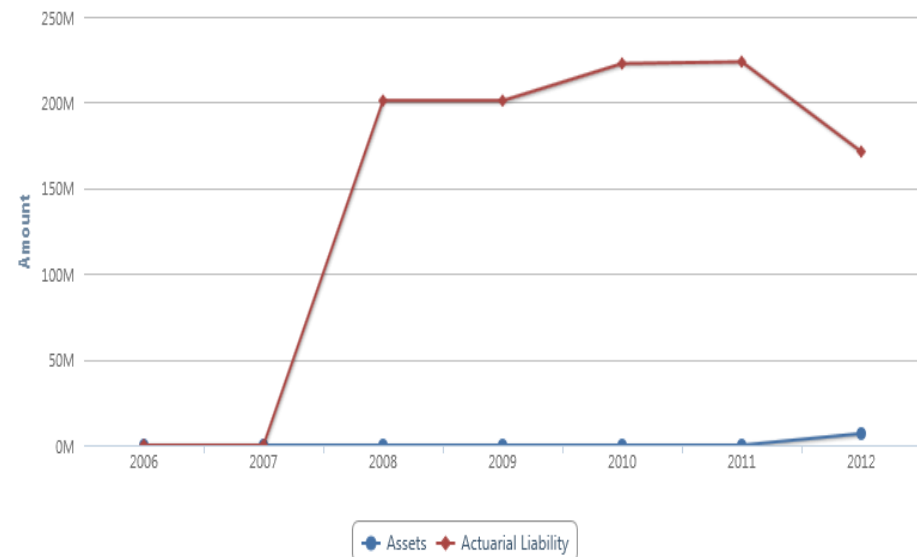
Recently, there has been a lot of focus on the long-term “legacy” costs of public pensions and Other Post Employment Benefit (OPEB) plans and the resulting unfunded liabilities which are facing many public entities. The City is not immune to these liabilities, however it has taken many steps to curb the exposure in the future. The City has recently made modifications to both its pension and retiree health care plans and has implement steps to fund the liabilities created by previous benefit plans.

Prior to 1997, municipalities were not required to disclose OPEB liabilities in their financial statements. New Governmental Accounting Standards made reporting mandatory. While the City has a long-way to go towards fully funding these legacy costs, much progress has been made. The graphs represent our current funding position.

Pension Funding Status



Retiree Health Care Funding Status



George Heartwell
Mayor

Walt Gutowski
First Ward Commissioner

Dave Shaffer
First Ward Commissioner

Ruth Kelly
Second Ward Commissioner

Rosalynn Bliss
Second Ward Commissioner

Elias Lumpkins
Third Ward Commissioner

James White
Third Ward Commissioner

Greg Sundstrom
City Manager

Al Mooney
City Treasurer

Lauri Parks
City Clerk

Catherine Mish
City Attorney

For More Information

Visit the City on the web:
www.grcity.us

The City's website is your source for information about City policies, services, commission meetings and events 24 hours a day, seven days a week.

Residents can take advantage of our online services:

- Download agendas and meeting minutes
- Find parks and download reservation forms
- Download City financial reports
- Search the municipal code
- Report a problem or request a service
- Pay parking tickets and utility bills

Form of Government

The City of Grand Rapids operates a City Commission – City Manager form of government. Working as a consensus, the Mayor and City Commissioners are responsible for establishing city policy and providing direction to the City Manager. The City Commission appoints the City officials above.



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